



One Connecticut

the campaign to fight poverty and build economic security

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Testimony in opposition to RB 400, An Act Eliminating the Business Entity Tax

Commerce Committee

March 6, 2008

Lucy Nolan, Chair, One Connecticut

Good afternoon Senator LeBeau, Representative Berger and members of the Commerce Committee. My name is Lucy Nolan, I am the executive director of End Hunger Connecticut!, and here today in my position as chair of One Connecticut. One Connecticut is a statewide coalition of one hundred human service, labor, interfaith and advocacy organizations that collaborates to fight poverty and build economic security. I am here today to speak in opposition to RB 400, An Act Eliminating the Business Entity Tax.

One Connecticut does not support the elimination of the Business Entity Tax as there are more efficient and positive ways to create a better business climate in the state. It is a privilege to operate a business in Connecticut and paying a minimum tax to operate with the state's protection is a cost of doing business. The \$20.83 per month a business pays is negligible to the amount of protection the owners receive: an insurance policy that shelters personal assets from liability. I wish my insurance was both so efficient and cost-effective.

Before this small tax is eliminated please make a concerted effort to examine the other business taxes and credits that we have here in Connecticut. A clear look to see what they are, who is using them, and if they are used as intended is in order before the elimination of this tax. We often speak of the brain drain we have here in Connecticut, therefore we must ensure that there are funds to pay for the programs that will create effective policies to create a strong workforce and educate our workers to remain in Connecticut. This small tax is one way in which our businesses should participate in paying for these programs.

Eliminating the Business Entity Tax is not the most effective stimulus for the economy or way to create growth. Leaving a \$35 million hole in the budget will not help Connecticut's residents, or their businesses. In fact, spending a bit more money through a state Earned Income Tax Credit is a proven stimulus that many of the mom and pop stores that really are the target here need. A state EITC would help Connecticut's low-income working families by giving them a tax credit to increase their spending power – money that is spent in the very neighborhoods in which these families live. With a Connecticut EITC \$50 million from approximately 166,000 Connecticut households is infused into the local economy through our local businesses.

According to a February 12, 2008 editorial in the Hartford Courant

The working poor are far more likely to spend their refunds on food, heat and other necessities. With the cost of living rising so rapidly, few low-wage workers can afford to

salt much money away. The earned income tax credit would stimulate the economy while helping hardworking people who need it most.

Last week at the Human Services public hearing on the state EITC, Secretary of the Office of Policy and Management, Robert Genuario said

The average recipient of the state of Connecticut Earned Income Tax Credit would benefit about \$322 a year...that is about \$6.38 per week. What I would ask you to consider is whether or not the use of \$60 million of state funds to provide a benefit of \$6.38 per week is a better use of state funds than increasing our early childhood education programs, increasing access to healthcare for the impoverished, increasing access to job training programs, supporting teen pregnancy prevention programs, all of which we will have less resources to do if this proposal is adopted.

The question now poised to the Commerce Committee is it worth excising \$35 million from the general fund for a tax that can help pay to move economic stability in the state, that can help run the programs that educate and train our workforce and for a mere \$4.80 per week gives these businesses the opportunity of protection from the state? We think not.

The members of One Connecticut urge you to oppose and vote against the elimination of the business entity tax. It is part and parcel of the cost of doing business in the state, and compared to other states it is a small tax. Our need to create a Connecticut in which we have a healthy and educated workforce cannot afford to lose this income. Please look at all the business taxes in Connecticut to see how we are able to leverage our tax policy to create growth.

Thank you.